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Message Text

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ORIGIN PM-07

INFO OCT-01 EA-11 ADP-00 CIAE-00 INR-10 NSAE-00 RSC-01

DODE-00 AID-20 MC-02 TRSE-00 ACDA-19 OMB-01 L-03 /075 R

DRAFTED BY DOD/ISA:CAPT. SHAID:PM/MAS:TCOONY/RS
8/31/73:EXT. 28139
APPROVED BY PM/PA - ALAN W. FORD
PM/MAS - MR. GREY
DOD/ISA - MR. DOOLIN
EA/PHL - MR. EASTON
---------- 115643
R 312027Z AUG 73
FM SECSTATE WASHDC
TO AMEMBASSY MANILA
CINCPAC HONOLULU HI

S E C R E T STATE 174240

E.O. 11652:GDS
TAGS:MASS, RP, US
SUBJECT:SMALL ARMS FACTORY FOR PHILIPPINES AND RELATED FMS
CREDIT CONSIDERATIONS

REF: CHJUSMAG MANILA 190936Z JUNE

JOINT STATE/DEFENSE

1. PHILIPPINE DEFENSE ATTACHE, CAPT. MADRID, HAS SENT STATE AND DOD COPIES OF SALIENTES' LETTER TO GENERAL GRIMSELY DATED 11 JUNE ON SMALL ARMS FACTORY PROPOSAL AND MEMO TO MADRID FROM SALIENTES DATED 22 JUNE DIRECTING HIM TO PROVIDE QUOTE EXPEDITIOUS AND SUCCESSFUL FOLLOW-UP ON OUR FMS LOAN REQUEST. UNQUOTE.

2. GOP REQUEST FOR FMS SUPPORT FOR THIS PROJECT POSES PROBLEMS. CONGRESS HAS NOT YET ESTABLISHED MAP AND FMS LEVELS FOR FY 1974. THE PROJECT INVOLVES COPRODUCTION WHICH REQUIRES THAT A REPORT BE SUBMITTED TO CONGRESS ON THE U.S.
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DOMESTIC ECONOMIC IMPACT. IN ADDITION, IT REQURES A MULTI-

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YEAR COMMITMENT OF FUNDS AND INVOLVES A NEW ARMS PRODUCTION FACILITY, THE PROLIFERATION OF WHICH WE DO NOT ENCOURAGE.

3. REQUEST COUNTRY TEAM POSITION ON PROJECT MENTIONED PARA 4 REFTEL, INCLUDING ASSESSMENT OF WHETHER GOP WOULD NEGOTIATE WITH THIRD COUNTRY FOR SIMILAR FACILITY IF FMS

CREDIT NOT PROVIDED.

4. AS A RELATED MATTER IT WOULD APPEAR THAT WE HAVE REACHED A POINT WHERE SOME FORM OF GOP-COUNTRY TEAM COORDINATION IS NEEDED TO CHANNEL MAJOR REQUESTS INVOLVING SALES TO AVOID CONFUSING EFFECT OF REQUESTS AND INQUIRIES FROM VARIOUS SOURCES. IT IS BECOMING INCREASINGLY DIFFICULT TO SORT OUT VALIDITY AND PRIORITIES INVOLVED. FOLLOWING MAJOR SALES CASES HAVE BEEN MENTIONED IN ONE FORM OR OTHER.

A. M-16 RIFLE PLANT, DOLS 15.3 MILLION FMSCR - AWAITING COUNTRY TEAM COMMENTS AND RECOMMENDATIONS PRIOR FURTHER REVIEW IN WASHINGTON.

B. AN/TPS-32 AIR SURVEILLANCE SYSTEM, TWO SYSTEMS FOR TOTAL OF DOLS 12 MILLION. INTERNATIONAL TECHNICAL PRODUCTS CORP HAS REQUESTED AN EXPORT LICENSE FOR COMMERCIAL SALE FOR PURPOSES OF AIR DEFENSE BASED ON A LETTER OF INTENT SIGNED BY BRIG GEN RANCUDO. CASE HELD FOR FINAL RESOLUTION PENDING FURTHER COMMENT FROM COUNTRY TEAM AND CINCPAC. THIS REQUEST CAUSES SOME CONFUSION HERE IN VIEW OF JOINT US-PHIL AIR DEFENSE ARRANGEMENTS, AND OTHER COMPETING SALES REQUESTS.

C. TWO C-130H, DOLS 12 MILLION, AS RESULT OF EXECUTIVE SECRETARY MELCHOR'S MID-JULY 73 MEETING WITH LOCKHEED REPRESENTATIVES IN GEORGIA. MELCHOR REPORTEDLY WISHES USG TO OFFER FMSCR FOR C-130'S RATHER THAN SUBMIT REQUEST THROUGH NORMAL CHANNELS. NO ACTION BEING TAKEN UNTIL REQUEST IS RECEIVED THROUGH OFFICIAL CHANNELS.

D. MELCHOR'S REQUEST TO ADMIRAL MOORER ON 10 JULY FOR
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INFORMATION ON MISSILES FOR INSTALLATION ON PATROL CRAFT AND ADDITIONAL PATROL CRAFT. PRELIMINARY COST ESTIMATES RANGE HIGH AND CASE HAS BEEN REFERRED TO CINCPAC FOR RECOMMENDATIONS.

E. GOP'S REPORTED EXPRESSION OF INTEREST TO ROCKWELL FOR TWELVE OV-10 OR OTHER COUNTERINSURGENCY TYPE AIRCRAFT WITH TOTAL COST OF DOLS 12 MILLION. NO ACTION BEING TAKEN SUB-

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JECT TO OFFICIAL GOP INQUIRY.

F. REQUEST FOR SYNCHROLIFT DRYDOCK SYSTEM AT DOLS 5 MILLION. THIS HAS BEEN DORMANT FOR SOME TIME AND WE ARE AWAITING OFFICIAL REQUEST BY GOP FOR FURTHER CONSIDERATION.

G. C-47 WEAPONS SYSTEM BASED ON AFP REQUEST FOR P AND A THROUGH CHJUSMAG WHICH NOW UNDER REVIEW BY CSAF.

H. IN ADDITION TO THESE SPECIFIC EXAMPLES, THERE IS POSSIBILITY THAT GOP MAY WISH TO FILL DEFICIENCIES IN EQUIPMENT/AMMUNITION REQUIREMENTS FOR COUNTERINSURGENCY OPERATIONS, BY FMSCR PURCHASE OF ITEMS WHICH NOT AVAILABLE THROUGH NORMAL OR EXPEDITED MAP GRANT.

5. WE WILL TREAT M-16 PLANT FMS REQUEST AS SEPARATE CASE AND INFORM GOP AS TO FINAL USG DECISION AFTER REVIEW AND EVALUATION OF COUNTRY TEAM RECOMMENDATIONS AND OTHER RELEVANT FACTORS, INCLUDING OTHER PENDING SALES REQUESTS. WOULD ALSO APPRECIATE SPECIFIC COUNTRY TEAM COMMENTS ON THE RANCUDO RADAR CASE AND OTHER COMMENTS AS DESIRED FOR WASHINGTON CONSIDERATION RELATING TO OVERVIEW OF PHILIPPINE INTERESTS, PRIORITIES, AND CHANNELS OF COMMUNICATION BETWEEN US-GOP ON POTENTIAL SALES CASES.

6. PLEASE FACTOR INTO CONSIDERATION OF THESE REQUESTS IMPACT OF SUCH TRANSACTIONS ON GOP DEBT AND UPON IMF CONSORTIUM WHICH FOLLOWING GOP ECONOMIC ACTIVITIES. ROGERS

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